

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 254629

51

ORIGIN EB-07

INFO OCT-01 ARA-06 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-01 INR-05 INT-05 L-02 LAB-01

NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15

STR-01 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

OMB-01 SWF-01 XMB-02 /088 R

DRAFTED BY EB/OT/STA:ECONSTABLE:JH

APPROVED BY EB/OT:CWSCHMIDT

EB/OT/STA:WCLARK, JR.

ARA/BR:RBALLANTYNE

TREAS:JWALLAR (INFO)

----- 028445

R 191449Z NOV 74

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

USMISSION GENEVA

USMISSION USUN NEW YORK

LIMITED OFFICIAL USE STATE 254629

E.O. 11652: GDS

TAGS: ETRD, BR

SUBJECT: COUNTERVAILING DUTIES

1. ON NOVEMBER 14 DEPT. CALLED IN BRAZILIAN ECONOMIC COUNSELOR THOMPSON FLORES TO MEET WITH CARL W. SCHMIDT, DIRECTOR, OFFICE OF INTERNATIONAL TRADE, EB, TO DISCUSS RECENT BRAZILIAN STATEMENTS IN UN AND GATT CRITICIZING U.S. DECISION TO IMPOSE COUNTERVAILING DUTIES ON IMPORTS OF BRAZILIAN FOOTWEAR.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 254629

2. SCHMIDT BRIEFLY SUMMARIZED BACKGROUND OF FOOTWEAR

CASE, THEN REFERRED TO BRAZILIAN STATEMENTS IN GATT COUNCIL ON OCTOBER 21 AND IN SECOND COMMITTEE OF UN GENERAL ASSEMBLY IN SEPTEMBER AND NOVEMBER CRITICIZING U.S. ACTION. SCHMIDT SAID U.S. APPRECIATES SPECIAL NEEDS OF DEVELOPING COUNTRIES AND REPEATED U.S. WILLINGNESS TO EXPLORE POSSIBILITY OF NEW MULTILATERAL AGREEMENT ON RULES FOR SUBSIDIES AND COUNTERVAILING DUTIES AND IN THAT CONTEXT TO DISCUSS DIFFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES. HE SAID U.S. AWARE OF LEGITIMATE BRAZILIAN CONCERN OVER COUNTERVAILING PROBLEM AND HAD GIVEN FULL CONSIDERATION TO THIS CONCERN IN MAKING SHOE DECISION. HE EXPLAINED THAT, WHILE LEGISLATION IS MANDATORY, WHERE FLEXIBILITY EXISTS OFFICIALS IN WASHINGTON HAD WORKED HARD TO OBTAIN MOST

LIBERAL TREATMENT POSSIBLE FOR BRAZILIAN EXPORTERS. SCHMIDT WENT ON TO SUGGEST THAT BRAZILIAN SPEECHES ON THIS PROBLEM IN GATT AND UN WERE NOT HELPFUL TO BRAZILIAN INTERESTS, AS BRAZIL AND U.S. WORK TOGETHER TO RESOLVE SPECIFIC TRADE ISSUES AND TO REACH INTERNATIONAL AGREEMENT ON SUBSIDY PROBLEMS. FINALLY, HE SAID HE HOPED BRAZILIANS WOULD TAKE HIS COMMENTS IN SPIRIT IN WHICH THEY WERE INTENDED, AS CONSTRUCTIVE SUGGESTION, AND THAT TWO COUNTRIES WOULD CONTINUE CLOSE COOPERATION ON THESE AND SIMILAR ISSUES.

3. THOMPSON FLORES RESPONDED BY SUMMARIZING SOME OF THE REASONS WHY BRAZIL COULD NOT BE HAPPY WITH COUNTERVAILING DECISION. FROM BRAZIL'S VIEW, DECISION WAS VERY UNFAIR (E.G. NO INJURY PROVISION) AND MADE NO REPEAT NO ECONOMIC SENSE. HE NOTED THAT BRAZILIAN SHOES ACCOUNT FOR SMALL SHARE (5 PERCENT) OF U.S. MARKET, QUESTIONED WHETHER ANY U.S. INDUSTRY HAS BEEN HURT AS A RESULT OF BRAZILIAN IMPORTS AND SUGGESTED THAT IN FACT NO MARKET DISRUPTION HAD OCCURRED. HE SAID U.S. HAS SUBSIDY PRACTICES (DISC, EXIM FINANCING) WHICH SIMILAR TO BRAZILIAN SYSTEM; THUS U.S. PENALIZES BRAZIL FOR WHAT U.S. DOES ITSELF. HE NOTED THAT BRAZIL WOULD HAVE \$4 BILLION TRADE DEFICIT THIS YEAR, AND A BILATERAL DEFICIT OF \$1.5 BILLION WITH U.S. IMPOSITION OF COUNTERVAILING DUTIES ON TOP OF SUCH DEFICIT WAS BOUND TO MAKE BRAZILIANS UNHAPPY. HE THOUGHT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 254629

THAT IT WOULD BE EXTREMELY UNREALISTIC TO EXPECT BRAZILIANS NOT TO COMPLAIN. HE EMPHASIZED HE WOULD CONVEY OUR COMMENTS TO HIS AMBASSADOR AND TO BRASILIA AND CHARACTERIZE THEM AS HAVING BEEN OFFERED IN CONSTRUCTIVE SPIRIT, BUT NOTED THAT IT WOULD BE DIFFICULT FOR BRAZILIANS TO ACCEPT THEM AS ANYTHING BUT CRITICISM.

4. ALTHOUGH THOMPSON FLORES EXPRESSED SURPRISE THAT U.S.

SEEMED TO EXPECT BRAZIL TO ACCEPT COUNTERVAILING DECISION UNCOMPLAININGLY, TONE OF DISCUSSION WAS FRIENDLY. THOMPSON FLORES OFFERED HIS PERSONAL OPINION THAT, WHILE FOOTWEAR EXPORTERS WOULD NOT HAVE DIFFICULTIES WITH 4.8 PERCENT RATE, THE HIGHER RATE (12.3 PERCENT) IS HARMFUL, AND THAT IT WOULD BE DIFFICULT FOR NEWER EXPORTERS TO BREAK INTO MARKET. THUS, HE SAID, U.S. DECISION COMPLICATES BRAZIL'S EFFORTS TO PURSUE EXPORT DIVERSIFICATION. HE NOTED THAT GOB LOOKING FORWARD TO NEGOTIATING INTERNATIONAL AGREEMENT WHICH WOULD HELP RESOLVE WHAT HE CALLED "ANACHRONISTIC U.S. POSITION" ON SUBSIDY/COUNTERVAILING LAW AND THEREFORE VERY ANXIOUS ABOUT PASSAGE OF TRA.

5. FULL MEMCON BEING POUCHED TO BRAZIL ADDRESSEES. INGERSOLL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, FOOTWEAR, COUNTERVAILING DUTIES, DIPLOMATIC PROTESTS, DIPLOMATIC DISCUSSIONS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CollinP0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE254629
Document Source: CORE
Document Unique ID: 00
Drafter: ECONSTABLE:JH
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740334-0537
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741130/aaaaazkx.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 18 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 JUN 2002 by rowelle0>; APPROVED <20 MAR 2003 by CollinP0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COUNTERVAILING DUTIES
TAGS: ETRD, BR, US, UN, GATT, (FLORES, THOMPSON), (SCHMIDT, CARL W)
To: BRASILIA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005